ICMA-ISDA Workshops on the Common Domain Model (CDM) for repos and bonds

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Introduction

- Following the meeting of the European Repo and Collateral Council (ERCC) in November 2019, it was agreed to explore the development of ISDA’s Common Domain Model (CDM) for repos and bonds.

- In collaboration with ISDA and Regnosys, ICMA held three workshops in January, February and March modelling in the CDM:
  - Features of open repos
  - Repo interest payments
  - Transfer of cash and collateral of both legs

- The aim of the workshops was to demonstrate the practical benefits of a consistent data model in machine-readable format, using a hands-on format and providing a real-time implementation.
Going back a step - What is the ISDA Common Domain Model (CDM)?

Enhancing interoperability, reducing reconciliations & promoting STP

Each party captures and processes the trade and lifecycle in their own different way.

Using ISDA CDM market participants implement the same code to manage trades throughout lifecycle.

Consistent industry implementation of lifecycle.

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CDM – interface with existing standards and enabler of solutions

CDM

FIX
FpML
XML
ISO20022
APIs

New technologies (eg DLT, Cloud)
## Selected commonalities & gaps between derivatives and repos in the CDM

<table>
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<tr>
<th>CDM lifecycle components &amp; terminology</th>
<th>Derivatives</th>
<th>Repo</th>
<th>Gaps</th>
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<tbody>
<tr>
<td>Cash Transfer event</td>
<td>Interest payment</td>
<td>Cash leg and Securities leg (DvP)</td>
<td>Securities-related cashflows (eg issuance, coupon payments, redemption)</td>
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<td>Security Transfer event</td>
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<tr>
<td>Exercise event</td>
<td>Swaption</td>
<td>Termination of an open repo</td>
<td>Different processes and underlying logic (eg notice periods, exercise date, expiry dates)</td>
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<td>Cancellable provision</td>
<td>Call option in a swap</td>
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<tr>
<td>Terms/Price Change event</td>
<td>Equity swap reset</td>
<td>Re-rate of an open repo</td>
<td>Price notations: initial price, haircut, repo rate</td>
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<tr>
<td>n/a</td>
<td>n/a</td>
<td>Collateral substitution</td>
<td>Specific to repo</td>
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<td>ISDA documentation</td>
<td>Eg Master agreement, CSAs</td>
<td>GMRA</td>
<td>GMRA product definitions and terminology (eg “contract” vs “variation in terms”)</td>
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Next steps

• Create a roadmap for the development of the CDM for repos
  o Conduct a comprehensive gap analysis between (i) existing components in the CDM that can be re-used for modelling repos and bonds, and (ii) components that will have to be newly developed
  o Take into account relevant components in FpML for repos as well as other relevant standards (ISO 20022, FIX).

• Test data samples or data schemas are critical to understand the different permutations of data representations in member firms’ internal systems.

• Member firms who are willing to commit time and resources for the development of the CDM for repo are invited to reach out to ICMA.
Further information

- Supporting materials of the workshops and background information can be found on ICMA’s website:


- ICMA contacts:

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